

CDI Regulations Moving Forward

United Policyholders is pleased to share the news that the California Department of Insurance has now announced its intention to formally move forward with its proposed “Mitigation in Rating Plans and Wildfire Risk Models” regulations. **Once formally adopted, the regulations will legally require insurers to include discounts in their rates for an array of wildfire risk mitigation actions.**

[Here is a link to the final version of the regulations submitted for adoption](#)

United Policyholders (UP) has been focused on this issue over the last two years having launched its Wildfire Risk Reduction and Asset Protection, “WRAP”, initiative. Working with fire scientists, firefighters, academics, and other knowledgeable contributors, UP put together a [list of proven mitigation actions](#) that homeowners could take to reduce their risk of loss due to wildfire. Subsequently, the insurance-industry-sponsored [Institute for Building and Home Safety](#) and, most recently, a partnership of California government agencies (Calfire, CalOES, CalPUC, OPR and the CDI) separately compiled nearly identical lists of mitigations measures. That most recent list, labeled [“Safer from Wildfires”](#) by the state agencies, is the baseline included in the regulations.

The requirements in the regulations will apply to any property coverage where the insurer accounts for the risk of wildfire in its rating plan – that would encompass homeowners policies as well as dwelling and commercial property coverages for most insurers.

A summary of those mitigation actions specified in the regulations includes:

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Source: <https://uphelp.org/cdi-regulations-moving-forward/> Date: April 25, 2024

- A 5 foot zero-combustible-zone completely surrounding the exterior of the structure (e.g., no vegetation, debris, mulch, combustible structures, stored combustible furniture or other combustible materials within 5 feet of the dwelling or building),
- Incorporation of only noncombustible materials into fences and gates or any other structural component that attaches to or is situated within five (5) feet of the dwelling,
- No combustible structures, including sheds and other outbuildings, from the area within thirty (30) feet of the dwelling or, in the event that the applicant or insured does not control the area extending thirty feet from the home or structure, removal of combustible structures from as much of such area as is under their control,
- Clearance of all vegetation and debris from under decks,
- Compliance with all applicable building codes,
- Class-A Fire Rated Roof,
- Enclosed Eaves,

- Fire-Resistant Vents
- Multi-pane windows, including dual pane windows, or functional shutters, which when closed, cover the entire window and do not have openings, and
- At least six (6) inches of noncombustible vertical clearance at the bottom of the exterior surface of the building, measured from the ground up.

The regulations include a community-level discount for those who reside in a [“Firewise USA Site in Good Standing”](#).

The regulations will also require much more transparency and communication with insureds from any insurer using a wildfire risk model to determine eligibility for coverage or to create rate differentials in its rating plans. These models, which generally develop a risk score based on certain considerations of the home’s general location or, for the more detailed models, considerations of details of the actual insured property landscape and structure, have come to play an important role in the availability and affordability of coverage. Yet many insurers have not shared the details of those models with impacted customers because those details are considered “proprietary” to the entities that create those models.

It will be some time before the full benefits of these regulations actually make it into the marketplace—once the regulations are formally adopted insurers will still have 180 days to file their changes, the CDI will need time to approve them, and insurers will have some reasonable time to program and implement them — but this is a critical step forward in recognizing the proven value of mitigation actions in lowering

the risk of major damage from wildfire to a home or commercial structure.

For the present, the good news is that there are 20 insurers that already recognize some form of mitigation actions in their existing rating plans. The current list of those insurers is available on the CDI website:

<http://www.insurance.ca.gov/01-consumers/105-type/95-guides/03-res/Insurers-Currently-Offering-Discounts.cfm>

Of course, the most important reason for homeowners and business owners to implement these mitigations actions is to help protect their properties from wildfires and reduce their likelihood of having to deal with all the issues that come with damage and loss. And, unfortunately, taking all of these actions doesn't guarantee that insurance coverage from the "voluntary market" will be available to everyone. (The FAIR Plan may still be the only market available to many homeowners and businesses – but at least it will also offer these discounts.)

That said, United Policyholders believes these regulations are an important step forward in recognizing the reduced risk that comes from these proven mitigation actions and has long been making the point that it is critical to incentivize those who take these actions with more affordable coverage and more availability of insurance coverage.